



# **INTERNAL AUDIT SUBSTANTIVE TESTING CASH AND INVENTORY COUNTS**

August 16, 2004

Greater Roanoke Transit Company Audit Committee  
Roanoke, Virginia

We have audited inventory stock in accordance with generally accepted government auditing standards.

## **BACKGROUND**

The Greater Roanoke Transit Company provides bus services to the City of Roanoke, the City of Salem, and the Town of Vinton. The company provides a variety of transportation services including fixed bus routes, shuttle buses, and special services for the disabled. In order to provide these services, the company requires significant operating subsidies from federal, state, and local government agencies. The company's Board of Directors is comprised of the City of Roanoke Council members. The transit company contracts for the senior management of the company, which is provided by FirstGroup PLC. The Southwestern Virginia Transit Management Company, Inc. employs the remaining staff and bus operators.

The Greater Roanoke Transit Company maintains a parts inventory to support the operations of the bus fleet. On June 30, 2003, an inventory balance of \$170,244 was on hand. Included in this balance were parts valued at \$155,798, diesel fuel valued at \$9,500, and oil valued at \$4,946. The company's fleet is comprised of approximately 40 vehicles. The maintenance on these buses amounted to approximately \$731,000 or 11% of the company's operating budget during fiscal year 2003.

## **PURPOSE**

The purpose of this audit was to:

- Verify that recorded inventory balances exist.

## **SCOPE**

The scope of this audit included inventory held at the Valley Metro Bus Garage.

## **METHODOLOGY**

We conducted a scheduled visit at the Valley Metro Bus Garage on April 23, 2004. We gained an understanding of the procedures in place through interviews and observation of personnel. We physically observed the inventory on hand and agreed the observed amounts to the inventory system. We tested items from the inventory records and compared them to the floor to verify existence, and we selected items from the floor and compared them to the inventory records to verify completeness. We judgmentally selected a sample of items looking for both large and small value items. We also verified that additions and deductions to the inventory were supported by proper documentation.

## **RESULTS**

We reviewed 40 inventory items valued at \$10,734, or 6.9% of the approximate total parts value of \$156,000. Our review of inventory on hand at the Greater Roanoke Transit Company identified minor inventory discrepancies. These discrepancies were both immaterial to the inventory balance as a whole and to our test counts.

## **CONCLUSION**

Inventory balances at the Greater Roanoke Transit Company appear materially correct.

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